



Peterson
Allred
Jackson

TOWN OF NEWTON

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2006**

**With Comparative Totals
For June 30, 2005**

▪ Certified Public Accountants
Business Consultants

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INTRODUCTORY SECTION

NEWTON TOWN CORPORATION

51 South Center
P.O. Box 146
Newton, UT 84327
(435) 563-9283

Mayor
Clair D. Christiansen

Council Members:
Greg Jorgensen
Ken Volkman
Susan Maughan
Jed Woodward

November 16, 2006

Newton Town Council
Newton, Utah

Council:

It is with great pleasure that the financial statements for the Town of Newton for the year ended June 30, 2006, is presented.

In addition to the fund financial information currently presented in the Town's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the Town including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2006, in accordance with these requirements.

This report consists of management's representations concerning the finances of the Town of Newton. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the Town from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Newton's financial statements have been audited by Peterson Allred Jackson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Newton for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the

overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Newton's financial statements for the fiscal year ended June 30, 2006 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

I wish to express my appreciation to all members of the Town who assisted and contributed to the preparation of this report.

Respectfully submitted,

Mayor Christiansen
Town of Newton

FINANCIAL SECTION

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Peterson
Allred
Jackson

▪ Certified Public Accountants
Business Consultants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Newton
Newton, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Newton, Utah (the Town), as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 16, 2006 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results for our audit.

The Management's Discussion and Analysis on pages 10-14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Schedule of Impact Fees is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Impact Fees has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Peterson Alfred Jackson

November 16, 2006



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Newton, we offer readers of the Town of Newton's financial statements this narrative overview and analysis of the financial activities of the Town of Newton for the fiscal year ended June 30, 2006.

FINANCIAL HIGHLIGHTS

- The total net assets of \$1,406,221 is made up of \$790,437 in capital assets net of related debt and \$615,784 in other net assets. See detailed breakout of net assets on page 16.
- In the General Fund, new asset purchases equaled \$1,255.
- Total long-term liabilities of the Town were reduced by \$17,784.

REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town of Newton's basic financial statements. The Town of Newton's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Newton's finances, in a manner similar to a private-sector business.

- The statements of net assets presents information on all of the Town of Newton's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Newton is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the Town of Newton that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 16 & 17 of this report.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Newton also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and proprietary funds.

- Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund.

- Proprietary funds - The Town of Newton maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Newton uses enterprise funds to account for its Water Utility.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Newton, assets exceed liabilities by \$1,406,221.

By far the largest portion of the Town of Newton's net assets (56%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 354,533	\$ 279,195	\$ 309,835	\$ 261,473
Capital assets	<u>225,992</u>	<u>300,115</u>	<u>1,004,769</u>	<u>1,039,067</u>
Total assets	<u>580,525</u>	<u>579,310</u>	<u>1,314,604</u>	<u>1,300,540</u>
Long-term debt outstanding	--	--	440,324	458,108
Other liabilities	<u>46,653</u>	<u>26,092</u>	<u>1,931</u>	<u>1,803</u>
Total liabilities	<u>46,653</u>	<u>26,092</u>	<u>442,255</u>	<u>459,911</u>
Net assets:				
Invested in capital assets, net of debt	225,992	300,115	564,445	580,959
Restricted	218,363	195,397	81,421	76,744
Unrestricted	<u>89,517</u>	<u>57,706</u>	<u>226,483</u>	<u>182,926</u>
Total net assets	<u>\$ 533,872</u>	<u>\$ 553,218</u>	<u>\$ 872,349</u>	<u>\$ 840,629</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Program revenues:				
Charges for services	\$ 90,812	\$ 81,852	\$ 94,822	\$ 94,889
Operating grants & contributions	17,910	12,481	--	--
Capital grants & contributions	33,402	30,488	--	--
General revenues:				
Property taxes	34,856	17,854	--	--
Other taxes	61,940	56,191	--	--
Investment income	11,335	5,275	10,638	5,304
Other revenues	<u>588</u>	<u>600</u>	<u>--</u>	<u>--</u>
Total revenues	<u>250,843</u>	<u>204,741</u>	<u>105,460</u>	<u>100,193</u>
Expenses:				
General government	89,301	78,764	--	--
Public safety	54,090	46,982	--	--
Highways/public improvements	117,882	101,001	--	--
Parks & recreation	8,916	8,824	--	--
Water	<u>--</u>	<u>--</u>	<u>73,740</u>	<u>75,136</u>
Total expenses	<u>270,189</u>	<u>235,571</u>	<u>73,740</u>	<u>75,136</u>
Increase (decrease) in net assets	(19,346)	(30,830)	31,720	25,057
Net assets, beginning of year	<u>553,218</u>	<u>584,048</u>	<u>840,629</u>	<u>815,572</u>
Net assets, end of year	<u>\$ 533,872</u>	<u>\$ 553,218</u>	<u>\$ 872,349</u>	<u>\$ 840,629</u>

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements and is shown starting on page 18.

As of the June 30, 2006, the Town's governmental fund (General) reported a fund balance of \$307,880. This represents an increase of \$54,777 (22%) over last year's ending balances.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 39% of total general fund revenues. The largest element of taxes is sales taxes as it has been for the last several years. It represents 61% of total tax revenues and represents 24% of total general fund revenues. This compares with 26% in the prior fiscal year ended June 30, 2005.

As stated earlier, the Town maintains one enterprise fund to account for the business-type activities of the Town. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

Significant changes in the governmental funds include an increase in property tax revenues during the year.

Significant changes in business-type activities include a \$17,784 decrease in debt due to regular principal payments.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year the General Fund original budget was amended from an original budget expenditure total of \$250,000 to a final budget of \$225,000 (10%). The decrease in budget was due to fewer expenses in the parks department than originally anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets- The Town of Newton's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$1,230,761 (net of accumulated depreciation) infrastructure (streets, sidewalks, etc.), and machinery and equipment. The total decrease in the Town's investment in fixed assets for the current year was 8% (due to depreciation exceeding new purchases).

Major capital asset events during the current fiscal year included the following:

- \$3,607 for water system improvements.
- \$1,255 for library equipment.

TOWN OF NEWTON'S CAPITAL ASSETS

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Land	\$ 51,500	\$ 10,000
Buildings and improvements	86,579	31,563
System improvements	--	1,446,378
Infrastructure	807,020	--
Machinery & equipment	252,349	26,302
Less: Accumulated depreciation	<u>(971,456)</u>	<u>(509,474)</u>
Total	<u>\$ 225,992</u>	<u>\$ 1,004,769</u>

Additional information on the Town's capital assets can be found in the footnotes to this financial report.

Long-term debt - At June 30, 2006, the Town had total bonded debt outstanding of \$440,324. Of this amount \$440,324 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

TOWN OF NEWTON'S OUTSTANDING DEBT

	Business-type <u>Activities</u>
Revenue bonds	<u>\$ 440,324</u>
Total outstanding debt	<u>\$ 440,324</u>

The Town's total debt decreased by \$17,784 during the fiscal year.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

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TOWN OF NEWTON
STATEMENT OF NET ASSETS
JUNE 30, 2006
With Comparative Totals for June 30, 2005

ASSETS	Governmental Activities	Business-type Activities	2006 Total	2005 Total
Cash	\$ 91,700	\$ 206,112	\$ 297,812	\$ 216,057
Account receivable	11,633	15,167	26,800	25,879
Taxes receivable	32,837	-	32,837	19,210
Restricted taxes receivable	5,616	-	5,616	6,240
Bond discounts	-	7,135	7,135	7,381
Restricted cash	212,747	81,421	294,168	265,901
Capital assets			-	-
Land	51,500	10,000	61,500	61,500
Buildings and improvements	86,579	31,563	118,142	118,142
System improvements	-	1,446,378	1,446,378	1,442,771
Infrastructure	807,020	-	807,020	807,020
Machinery & equipment	252,349	26,302	278,651	277,396
Less: Accumulated Depreciation	(971,456)	(509,474)	(1,480,930)	(1,367,647)
Total assets	<u>\$ 580,525</u>	<u>\$ 1,314,604</u>	<u>\$ 1,895,129</u>	<u>\$ 1,879,850</u>
LIABILITIES				
Accounts payable	16,653	971	17,624	8,837
Interest payable	-	960	960	1,058
Bonds payable:				
Due within one year	-	18,039	18,039	17,793
Due in more than one year	-	422,285	422,285	440,315
Deferred revenue	30,000	-	30,000	18,000
Total liabilities	<u>46,653</u>	<u>442,255</u>	<u>488,908</u>	<u>486,003</u>
NET ASSETS				
Invested in capital assets, net of related debt	225,992	564,445	790,437	881,074
Restricted for:				
Debt service	-	43,040	43,040	41,062
Roads and town improvements	218,363	38,381	256,744	231,079
Unrestricted	89,517	226,483	316,000	240,632
Total Net Assets	<u>\$ 533,872</u>	<u>\$ 872,349</u>	<u>\$ 1,406,221</u>	<u>\$ 1,393,847</u>

See accompanying notes to the basic financial statements.

TOWN OF NEWTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006
With Comparative Totals for June 30, 2005

	Program Revenues			Net		
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 89,301	\$ 45,362	\$ -	\$ (43,939)	\$ -	\$ (34,656)
Public Safety	54,090	8,958	16,705	(28,427)	-	(34,590)
Highways & public improvements	117,882	36,072	33,402	(48,408)	-	(34,962)
Parks, recreation & public property	8,916	420	1,205	(7,291)	-	(6,542)
Total governmental activities	270,189	90,812	33,402	(128,065)	-	(110,750)
Business-type activities:						
Water	73,740	94,822	-	-	21,082	19,753
Total business-type activities	73,740	94,822	-	-	21,082	19,753

General Revenues:

Taxes:

Property taxes levied for general purposes	34,856	-	34,856	17,854
Franchise taxes	3,033	-	3,033	2,988
General sales taxes & highway sales taxes	58,907	-	58,907	53,203
Business licenses	588	-	588	600
Investment income	11,335	10,638	21,973	10,579
Total general revenues & transfers	108,719	10,638	119,357	85,224
Change in net assets	(19,346)	31,720	12,374	(5,773)
Net assets - beginning	553,218	840,629	1,393,847	1,399,620
Net assets - ending	\$ 533,872	\$ 872,349	\$ 1,406,221	\$ 1,393,847

See accompanying notes to the basic financial statements.

**TOWN OF NEWTON
GOVERNMENTAL FUNDS TYPE
BALANCE SHEET
JUNE 30, 2006
With Comparative Totals for June 30, 2005**

	Total 2006	Funds 2005
ASSETS		
Cash	\$ 91,700	\$ 49,768
Accounts receivable	11,633	14,820
Taxes receivable	32,837	19,210
Restricted assets:		
Cash	212,747	189,157
Taxes receivable	5,616	6,240
Total assets	\$ 354,533	\$ 279,195
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 16,653	\$ 8,092
Deferred revenue	30,000	18,000
Total liabilities	46,653	26,092
Fund Balance:		
Reserved for roads	192,926	172,805
Reserved for first responders	-	-
Reserved for library	24,087	21,242
Reserved for first responders	1,350	1,350
Unreserved - undesignated	89,517	57,706
Total fund balance	307,880	253,103
Total liabilities and fund balance	\$ 354,533	\$ 279,195
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 225,992	\$ 300,115
Fund balance, balance sheet	307,880	253,103
Net assets reconciled to the Statement of Activities	\$ 533,872	\$ 553,218

See accompanying notes to the basic financial statements.

**TOWN OF NEWTON
GOVERNMENTAL FUNDS TYPE
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006
With Comparative Totals for June 30, 2005**

	<u>Total Governmental Funds</u>	
	<u>2006</u>	<u>2005</u>
Revenues:		
Taxes & special assessments	\$ 96,796	\$ 74,045
Licenses and permits	10,614	9,876
Intergovernmental	51,312	42,969
Charges for services	45,450	41,534
Fines and forfeitures	22,198	20,015
Investment income	11,335	5,275
Miscellaneous	13,138	11,027
Total revenues	<u>250,843</u>	<u>204,741</u>
Expenditures:		
Current:		
General government	84,799	75,544
Public safety	41,214	38,190
Highways & public improvements	64,031	59,481
Parks, recreation & public property	6,022	5,930
Total expenditures	<u>196,066</u>	<u>179,145</u>
Excess of revenues over expenditures	54,777	25,596
Fund balances, beginning of year	<u>253,103</u>	<u>227,507</u>
Fund balances, end of year	<u>\$ 307,880</u>	<u>\$ 253,103</u>

See accompanying notes to the basic financial statements.

**TOWN OF NEWTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Net change in fund balances - total governmental funds \$ 54,777

Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

(74,123)

Change in net assets of governmental activities

\$ (19,346)

**TOWN OF NEWTON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES:				
Taxes:				
General property taxes	\$ 31,500	\$ 33,800	\$ 34,856	\$ 1,056
General sales & use taxes	50,000	58,000	58,907	907
Franchise taxes	3,000	3,050	3,033	(17)
Total taxes	<u>84,500</u>	<u>94,850</u>	<u>96,796</u>	<u>1,946</u>
Licenses & permits:				
Business licenses & permits	700	600	588	(12)
Non-business licenses & permits	9,100	10,000	10,026	26
Total licenses & permits	<u>9,800</u>	<u>10,600</u>	<u>10,614</u>	<u>14</u>
Intergovernmental revenues:				
Class "C" roads	38,000	38,000	33,402	(4,598)
State liquor allotment	600	265	265	-
State/Local Grants	27,000	16,160	17,645	1,485
Total intergovernmental revenues	<u>65,600</u>	<u>54,425</u>	<u>51,312</u>	<u>(3,113)</u>
Charges for services:				
Sanitation	36,000	40,000	36,072	(3,928)
Parks & recreation	400	375	420	45
Communication center	6,000	6,000	5,666	(334)
Fire department	500	3,225	3,222	(3)
First responders	100	100	70	(30)
Total charges for services	<u>43,000</u>	<u>49,700</u>	<u>45,450</u>	<u>(4,250)</u>
Fines and forfeitures	<u>29,000</u>	<u>29,200</u>	<u>22,198</u>	<u>(7,002)</u>
Miscellaneous:				
Interest	5,400	12,100	11,335	(765)
Celebrations	3,500	3,300	3,316	16
Other	9,200	9,825	9,822	(3)
Total Miscellaneous	<u>18,100</u>	<u>25,225</u>	<u>24,473</u>	<u>(752)</u>
Total Revenues	<u>\$ 250,000</u>	<u>\$ 264,000</u>	<u>\$ 250,843</u>	<u>\$ (13,157)</u>

See accompanying notes to the basic financial statements.

**TOWN OF NEWTON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(CONTINUED)
YEAR ENDED JUNE 30, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES				
General government:				
Administration	\$ 50,330	\$ 44,080	\$ 43,938	\$ 142
Building & grounds	1,500	7,400	7,168	232
Community development	13,870	18,675	16,567	2,108
Judicial	28,900	29,205	15,871	13,334
Capital outlay	9,200	1,000	1,255	(255)
Total general government	103,800	100,360	84,799	15,561
Public Safety:				
Police	6,100	6,265	5,767	498
Communication center	6,500	6,000	5,240	760
Fire	14,600	14,700	13,452	1,248
First responder	8,100	12,675	12,552	123
Animal Control	2,650	2,895	2,581	314
Building inspection	4,550	1,675	1,622	53
Capital outlay	-	-	-	-
Total Public Safety	42,500	44,210	41,214	2,996
Highways & public improvements:				
Streets	35,250	33,900	31,237	2,663
Sanitation	42,000	40,000	32,794	7,206
Capital Outlay	-	-	-	-
Total highways & improvements	77,250	73,900	64,031	9,869
Parks, Recreation & Public Property:				
Parks and open spaces	26,450	6,530	6,022	508
Capital outlay	-	-	-	-
Total parks, recreation & public property	26,450	6,530	6,022	508
TOTAL EXPENDITURES	250,000	225,000	196,066	28,934
Net change in fund balance	-	39,000	54,777	15,777
Fund Balance at beginning of year	253,103	253,103	253,103	-
Fund Balance at end of year	<u>\$ 253,103</u>	<u>\$ 292,103</u>	<u>\$ 307,880</u>	<u>\$ 15,777</u>

See accompanying notes to the basic financial statements.

**TOWN OF NEWTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006
With Comparative Totals for June 30, 2005**

	<u>WATER UTILITIES 2006</u>	<u>WATER UTILITIES 2005</u>
ASSETS		
Current assets:		
Cash	\$ 206,112	\$ 166,289
Accounts receivable	15,167	11,059
Bond discounts	7,135	7,381
Restricted cash	<u>81,421</u>	<u>76,744</u>
Total current assets	<u>309,835</u>	<u>261,473</u>
Capital assets		
Land	10,000	10,000
Buildings and improvements	31,563	31,563
System improvements	1,446,378	1,442,771
Equipment	26,302	26,302
Less Accumulated depreciation	<u>(509,474)</u>	<u>(471,569)</u>
Total capital assets	<u>1,004,769</u>	<u>1,039,067</u>
TOTAL ASSETS	<u>1,314,604</u>	<u>1,300,540</u>
LIABILITIES		
Current liabilities:		
Accounts payable	971	745
Interest payable	<u>960</u>	<u>1,058</u>
Total current liabilities	<u>1,931</u>	<u>1,803</u>
Long-term liabilities:		
Bonds payable - due within a year	18,039	17,793
Due in more than one year	<u>422,285</u>	<u>440,315</u>
Total long -term liabilities	<u>440,324</u>	<u>458,108</u>
Total liabilities	<u>442,255</u>	<u>459,911</u>
NET ASSETS		
Invested in capital assets, net of related debt	564,445	580,959
Restricted	81,421	76,744
Unrestricted	<u>226,483</u>	<u>182,926</u>
Total net assets	<u>\$ 872,349</u>	<u>\$ 840,629</u>

See accompanying notes to the basic financial statements.

TOWN OF NEWTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006
With Comparative Totals for June 30, 2005

	WATER UTILITIES 2006	WATER UTILITIES 2005
OPERATING REVENUES:		
Charges for services	\$ 92,650	\$ 91,215
Other operating revenues	<u>2,172</u>	<u>3,674</u>
Total operating revenues	<u>94,822</u>	<u>94,889</u>
OPERATING EXPENSES		
Salary and wages	4,396	5,097
Other operating expenses	8,610	9,903
Supplies	3,726	2,975
Depreciation/amortization	<u>38,151</u>	<u>38,187</u>
Total operating expenses	<u>54,883</u>	<u>56,162</u>
Operating income	<u>39,939</u>	<u>38,727</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	10,638	5,304
Interest charges	<u>(18,857)</u>	<u>(18,974)</u>
Total non-operating revenue (expense)	<u>(8,219)</u>	<u>(13,670)</u>
Change in net assets	31,720	25,057
Total net assets - beginning	<u>840,629</u>	<u>815,572</u>
Total net assets -ending	<u>\$ 872,349</u>	<u>\$ 840,629</u>

See accompanying notes to the basic financial statements.

TOWN OF NEWTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006
With Comparative Totals for June 30, 2005

	WATER UTILITIES 2006	WATER UTILITIES 2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 88,542	\$ 98,415
Payments to suppliers	(10,036)	(16,207)
Payments to employees	(4,396)	(5,097)
Net cash provided (used) by operating activities:	<u>74,110</u>	<u>77,111</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(3,607)	-
Principal paid on capital debt	(17,784)	(17,637)
Interest paid on capital debt	(18,857)	(18,974)
Net cash provided (used) by capital and related financing activities:	<u>(40,248)</u>	<u>(36,611)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	<u>10,638</u>	<u>5,304</u>
Net increase in cash and cash equivalents	44,500	45,804
Cash and equivalents at beginning of year	<u>243,033</u>	<u>197,229</u>
Cash and equivalents at end of year	<u><u>\$ 287,533</u></u>	<u><u>\$ 243,033</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 39,939	\$ 38,727
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation/amortization	38,151	38,187
Changes in assets & liabilities:		
Decrease (increase) in receivables	(4,108)	3,526
Increase (decrease) in accruals	128	(3,329)
Total adjustments	<u>34,171</u>	<u>38,384</u>
Net cash provided (used) by operating activities:	<u><u>\$ 74,110</u></u>	<u><u>\$ 77,111</u></u>

See accompanying notes to the basic financial statements.

TOWN OF NEWTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1: Summary of significant accounting policies

Reporting entity

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparations of the accompanying financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Town applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-services expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The Water Utility accounts for the activities of the Town's water production, treatment, and distribution operations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fixed assets and long-term liabilities

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Prior to the audit for the year ended June 30, 1982, a list of general fixed assets was not kept. At the time of that audit, an inventory of general fixed assets was taken and entered on the books. When actual costs were not available, the assets were recorded at estimated cost.

Depreciation of all exhaustible fixed assets used is charged as an expense against their operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Water and sewer system improvements	40-50 years
Buildings	20-30 years
Machinery and equipment	5-10 years
Roads and infrastructure	20 years
Improvements other than buildings	20 years

Property Tax

Cache County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalty bear interest at 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

The Town can make adjustments to the adopted budget through public hearings. During the fiscal year, the Town made budget adjustments through a public hearing.

Capitalized Interest

The Town capitalizes interest costs and interest earned as part of the cost of constructing various buildings, and water projects when material. Interest is only capitalized in proprietary activities.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the business-type activities considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Bond Issue Costs

Bond issuance costs are deferred and amortized over the life of the bonds using the straight line method. Issuance costs are reported as deferred charges.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 1,197,448
Accumulated depreciation	<u>(971,456)</u>
Total difference	<u>\$ 225,992</u>

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation.

While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 1,255
Depreciation expense	<u>(75,378)</u>
Net difference as reported	<u>\$ (74,123)</u>

Note 2: Legal Compliance - Budgets/Statutory

On or before the first scheduled council meeting in May, all agencies of the Town submit requests for appropriation to the Town's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the Town council for review at the first scheduled meeting in May. The Town council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the Town financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the Town council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that Town officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Note 3: Cash and investments

Deposits and Investments

Deposits and investments for local government are governed by the Utah Money management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$79,236 of the local government's bank balances of \$204,042 were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and

deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments had investments of \$394,227 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Note 4: Accounts and taxes receivable

Amounts due to the Town at year end are as follows:

General:	
Garbage fees	\$ 5,152
Communication center	801
County - property taxes	32,077
Franchise taxes	760
Court	1,028
Other	<u>4,652</u>
Total general	44,470
Water:	
Services	<u>15,167</u>
Total accounts receivable	<u>\$ 59,637</u>

Note 5: Restricted assets

The total restricted assets on the balance sheet are comprised of the following cash, cash equivalents, investments and receivables:

General fund:	
Cash - Class C	\$187,310
Cash- library	24,087
Cash - first responders	1,350
Accounts receivable - Class C	<u>5,616</u>
Total general fund	<u>218,363</u>

Water fund:	
Cash impact fees	38,381
Cash revenue bond sinking/reserve	<u>43,040</u>
Total water fund	<u>81,421</u>
Total restricted assets	<u>\$299,784</u>

Note 6: Accounts payable

Accounts payable consist of amounts incurred and due at June 30, 2006 but which have not been paid as follows:

General:	
Accounts	\$ 11,803
Payroll and payroll taxes	<u>4,850</u>
Total general	<u>16,653</u>
Water:	
Accounts	575
Payroll and payroll taxes	396
Interest	<u>960</u>
Total water	<u>1,931</u>
Total accounts payable	<u>\$ 18,584</u>

Note 7: General fixed assets

General fixed asset changes occurring for the year ended June 30, 2006 are as follows:

	Balance July 1, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2006</u>
Land	\$ 51,500	\$	\$	\$ 51,500
Improvements other than building	34,012			34,012
Buildings	52,567			52,567
Equipment	251,094	1,255		252,349
Infrastructure	<u>807,020</u>	<u> </u>	<u> </u>	<u>807,020</u>
Total assets	<u>1,196,193</u>	<u>1,255</u>	<u> </u>	<u>1,197,448</u>
Accumulated depreciation	<u>(896,078)</u>	<u>(75,378)</u>	<u>—</u>	<u>(971,456)</u>
Total fixed assets	<u>\$ 300,115</u>	<u>\$(74,123)</u>	<u>\$ —</u>	<u>\$ 225,992</u>

Depreciation has been charged to the departments as follows:

General government	\$ 5,757
Public safety	12,876
Highways & public improvements	53,851
Parks, recreation & public property	<u>2,894</u>
	<u>\$ 75,378</u>

Note 8: Water users and rates

Newton water utility fund services both residential and commercial users. As of June 30, 2006, the Town provided service to the following residential users and commercial users.

Residential	257
Commercial	<u>5</u>
Total water users	<u>262</u>

Water and garbage rates effective at June 30, 2006 are as follows:

Water rates:

Standard monthly services	\$21.50
Excess over 20,000 gallons	\$.50 per 1,000 gallons

Garbage rates:

Standard monthly services	\$12.25	90 gallon container
Standard monthly services	\$ 8.40	60 gallon container

Note 9: Changes in long-term debt

The following is a summary of long-term debt transactions of the Town's proprietary fund types for the year ended June 30, 2006:

Bonds payable at July 1, 2005	\$ 458,108
Less: payment of principal	<u>(17,784)</u>
Bonds payable at June 30, 2006	<u>\$ 440,324</u>
Due within one year	<u>\$ 18,039</u>

Bonds payable at June 30, 2006, are comprised of the following individual issues:

Water:

\$263,000 water revenue bonds due to the Utah Safe Drinking Water Board in varying annual payments including interest at 1.5% per annum. Payments of principal and interest are due each January 1, with payments of principal ranging from \$11,000 to \$15,000 each year. The principal and interest will be completely retired on January 1, 2015. \$ 105,764

\$374,800 water revenue bonds due to the U.S. Department of Agriculture - Rural Development in varying annual payments including interest at 5.0% per annum. The principal and interest will be completely retired on February 1, 2036.

334,560

Total bonds payable

\$ 440,324

The following is a summary of bond principal maturities and interest requirements:

Year ending <u>June 30</u>	Total <u>outstanding</u>
2007	\$ 36,652
2008	37,457
2009	37,247
2010	37,037
2011	36,827
2012 - 2016	147,207
2017 - 2021	108,660
2022 - 2026	108,660
2027 - 2031	108,660
2032 - 2036	<u>100,748</u>
Total	759,155
Less Interest	<u>(318,831)</u>
Outstanding Principal	<u>\$ 440,324</u>

Note 10: Reserved fund equity

The amounts reported on the combined balance sheet identified as reserved fund balance and reserved retained earnings are comprised of the following:

General fund:

Reserved - roads	\$ 192,926
Reserved - first responders	1,350
Reserved- library	<u>24,087</u>
Total general fund	<u>\$ 218,363</u>

Water fund (retained earnings):

Reserved - sinking/reserve	\$ 43,040
Reserved- impact fees	<u>38,381</u>
Total water fund	<u>\$ 81,421</u>

Note 11: Insurance and bond coverage

Newton has insurance and bonding policies with effective limits as follows:

<u>Description</u>	<u>Issuer</u>	<u>Limits</u>	<u>Date</u>
General Liability (including auto)	Utah Local Governments Trust 12730-GL2005	\$2,000,000	Continuous
Property	Unigard Insurance		7/01/06
Buildings	PX809764	1,431,536	
Contents		54,592	
Equipment		73,700	
Other		25,000	
Auto Insurance	Unigard		
Auto	BA900004	39,500	7/01/05
Public employee blanket	Western Surety 58493629	5,000	2/18/07
Position schedule bond- treasurer	Western Surety 58182582	20,000	9/08/07
Position schedule bond- mayor/treasurer	Western Surety 68394760	37,000	10/17/07

Note 12: Segment information

The following information is presented for the water utility fund of Newton Town:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
<u>Water fund:</u>				
Fixed Assets	\$ 1,510,636	\$ 3,607	\$	\$ 1,514,243
Accumulated Depreciation	471,569	37,905		509,474

Net working capital for the water utility fund is calculated as follows:

	<u>Water Fund</u>
Current Assets:	
Cash	\$ 287,533
Receivables	15,167
Less Current Liabilities:	
Accounts payable	(1,931)
Current portion of long-term debt	<u>(18,039)</u>
Net Working Capital	<u>\$282,730</u>

Note 13: Town library

The Town opened a library in May 1998, located in the current Town Hall. Approximately 10,000 books, thirteen wood shelves and nine metal shelves were donated for library use. Since the opening of the library books have been donated on an annual basis. Because of the difficulty of determining fair market value of these donations, no revenue for donations has been recognized since it would be completely offset by library expense in the general fund. Since the donations were individually below the capitalization policy minimum amount, they have not been recorded in the general fixed assets either.

SUPPLEMENTAL SECTION

**TOWN OF NEWTON
SUPPLEMENTAL SCHEDULE
SCHEDULE OF IMPACT FEES**

	2000	2001	2002	2003	2004	2005	2006
Beginning Balance:							
Impact Fees - Water	\$ 5,150	\$ 8,350	\$ 11,843	\$ 14,356	\$ 20,671	\$ 29,041	\$ 35,682
Additions:							
Impact Fees - Water	3,000	3,000	2,000	10,000	8,000	6,000	4,500
Interest:							
Impact Fees - Water	200	493	513	347	370	641	1,806
Deletions:							
Impact Fees - Water	-	-	-	(4,032)	-	-	(3,607)
Ending Balance:	<u>\$ 8,350</u>	<u>\$ 11,843</u>	<u>\$ 14,356</u>	<u>\$ 20,671</u>	<u>\$ 29,041</u>	<u>\$ 35,682</u>	<u>\$ 38,381</u>

See auditor's opinion



Peterson
Allred
Jackson

■ Certified Public Accountants
Business Consultants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Town Council
Town of Newton
Newton, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Newton, Utah (the Town) as of and for the year ended June 30, 2006, which collectively comprise the Town of Newton's basic financial statements and have issued our report thereon dated November 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town in a separate letter dated November 16, 2006.

This report is intended for the information of the Town Council and management, and certain legislative bodies and is not intended to be and should not be used by anyone other than these specified parties.

Peterson Alfred Jackson

November 16, 2006



Peterson
Allred
Jackson

▪ Certified Public Accountants
Business Consultants

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Council
Town of Newton
Newton, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Newton, Utah (the Town) for the year ended June 30, 2006, and have issued our report thereon dated November 16, 2006. As part of our audit, we have audited the Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special test and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The Town also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the Town's financial statements.)

EMS - Per Capita (Department of Health)
Library Services & Technology Act (Utah State Library Division)
Fire Department Assistance Grant (Department of Natural Resources)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation & Property Tax Limitations

Justice Courts
B & C Road Funds
Liquor Law Enforcement
Other General Issues
Impact Fees

The management of the Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Town of Newton, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Peterson Alfred Jackson

November 16, 2006



Peterson
Allred
Jackson

■ Certified Public Accountants
Business Consultants

November 16, 2006

Honorable Mayor and Town Council
Town of Newton
Newton, Utah

Dear Mayor Christiansen:

In planning and performing our audit of the financial statements of Newton, Utah (the Town) for the year ended June 30, 2006, we developed the following recommendations concerning certain matters related to compliance, internal control structure (other than "reportable conditions"), and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our audit of the Town's financial statements for the year ended June 30, 2006, and are not based on a special study. Our comments and principal recommendations are summarized below.

PRIOR YEAR FINDING

Finding: *Documentation.* During our testing of cash disbursements, we noted that the library did not keep all invoices/receipts to substantiate expenses. We also noted that some checks were issued without two signatures present.

Recommendations: Maintain documentation for all expenses of the Town including employee reimbursements.

Management response: The Town will review all library documentation for expenses on a monthly basis and will review all checks for proper signatures before they are issued.

Status: Documentation with the library has improved during the year.

CURRENT YEAR FINDING

Finding: *Court Compliance.* Amounts collected by the court are not always distributed to the State by the 10th of the following month. We found one instance of a report remitted late.

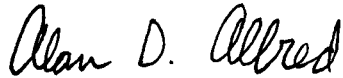
Recommendations: Report all fines to the State in the month that they were collected and remit the report by the 10th day of the following month.

Management response: The Town is training a new clerk and emphasis will be put on getting the report out by the 10th of the month, beginning immediately.

In conclusion, we wish to recognize all town personnel and administrators for their excellent service provided to the Town of Newton. We would especially like to recognize Susan NewMyer-Jeppson, who has been most cooperative in assisting us in accomplishing the engagement for the 2005-2006 fiscal year. The performance of the Town of Newton annual report has been an enjoyable experience for us, and we would like to thank the Town for the opportunity to serve you.

Very truly yours,

PETERSON ALLRED JACKSON

A handwritten signature in cursive script that reads "Alan D. Allred".

Alan D. Allred, CPA